U.S. Department of
Transportation

TIFIA
Project Oversight and Credit Monitoring Guidance

JANUARY 2005

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OPERATING ADMINISTRATION WEBSITES

TIFIA JOINT PROGRAM OFFICE	**http://tifia.fhwa.dot.gov**
FEDERAL HIGHWAY ADMINISTRATION	**http://www.fhwa.dot.gov**
FEDERAL TRANSIT ADMINISTRATION	**http://www.fta.dot.gov**
FEDERAL RAILROAD ADMINISTRATION	**http://www.fra.dot.gov**
MARITIME ADMINISTRATION	**http://www.marad.dot.gov**

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1. Background

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a new Federal credit program under which the Department of Transportation (DOT) may provide three forms of credit assistance – secured (direct) loans, loan guarantees, and standby lines of credit for surface transportation projects of national or regional significance. The program's fundamental goal is to leverage Federal funds by attracting substantial private and other non-Federal co-investment to help finance critical improvements in the nation's surface transportation system. The DOT uses a merit based system to award credit assistance to project sponsors for eligible projects, taking into account statutory selection criteria. After approval of a project and completion of negotiations, the DOT executes a credit agreement that is the definitive legal agreement between the DOT and the project sponsor specifying all terms and conditions of the TIFIA credit assistance.

Implementation of the TIFIA program is the responsibility of the Secretary of Transportation who receives support from the DOT Credit Council. The Credit Council is comprised of: the Assistant Secretary for Budget and Programs; the Assistant Secretary for Transportation Policy; the Undersecretary for Policy; the Director of the Office of Small and Disadvantaged Business Utilization; the General Counsel; and the Administrators of the Federal Highway Administration (FHWA), the Federal Railroad Administration (FRA), the Federal Transit Administration (FTA), and the Maritime Administration (MARAD).

The DOT has established a TIFIA Joint Program Office (TIFIA JPO) to coordinate and manage the day-to-day activities associated with implementing the TIFIA credit program. The TIFIA JPO works closely with the DOT operating administrations (FHWA, FRA, FTA, and MARAD) and the various policy and program offices within the DOT in all phases of implementation, recognizing the crosscutting nature of the TIFIA credit program. The TIFIA website located at http://tifia.fhwa.dot.gov/ provides additional information regarding the program.

As part of its fiduciary duty to the American public, the DOT has oversight responsibility for all projects that it funds. For TIFIA-funded projects, this oversight responsibility encompasses the entire life cycle of the project from execution of the credit agreement through the final repayment of the credit assistance. While DOT's operating administrations continue to have lead construction oversight responsibility for TIFIA-funded projects, the TIFIA JPO has lead responsibility for credit monitoring through the life cycle of a TIFIA credit instrument.

2. Purpose of Guidance

The purpose of this guidance is to establish the framework for TIFIA project oversight and credit monitoring. This document provides background information on the TIFIA program, sets forth the overarching goal and key objectives for the process, describes the process for oversight and monitoring to accomplish the objectives, defines the content and scope of an oversight and monitoring plan for a TIFIA project, and delineates the roles and responsibilities of the TIFIA JPO and the responsible operating administration.

The development of the guidance for TIFIA project oversight and credit monitoring was a collaborative effort between the TIFIA JPO and DOT operating administrations. The input gathered during site visits and meetings with the program and field office representatives within DOT was an essential element of this development process. Outreach also extended to credit rating agencies, banks, and bond insurers, to draw upon their experience and expertise in credit surveillance and portfolio monitoring.

The development approach for this guidance was based on the following principles:

- Develop an integrated DOT process that is seamless for project sponsors and field offices.
- Rely on existing DOT oversight processes to the maximum extent possible, augmenting these to manage TIFIA credit risks.
- Piggyback on credit reports, independent engineers' reports, and other market-based requirements.
- Ensure compliance with the requirements of the Federal Credit Reform Act, Office of Management and Budget guidance and laws, and prudent financial and operational practices.

The guidance is intended to assist the DOT and its operating administrations in carrying out oversight responsibilities for TIFIA-funded projects by providing a consistent approach to monitoring projects through a project's life cycle.

3. A Perspective on TIFIA Credit Risks

The TIFIA program differs from other Federal credit programs in that it will not result in a portfolio consisting of a relatively large number of small homogeneous loans (e.g. agriculture, housing, student loans) for which the credit risks are well-established. Rather the program will involve a relatively small number of large, unique credits with varying credit risks. The credit agreement for a TIFIA-funded project is tailored to meet each project's specific financial requirements and risk profile.

Although the TIFIA program is designed to help finance projects that may have difficulty in accessing capital market financing, DOT's credit risk is mitigated by several program requirements:

- **Limit on Federal Credit Assistance** – Unlike other Federal-aid programs, where Federal participation is 80 percent or more, the TIFIA share is limited to 33 percent of eligible project costs.

- **Substantial private co-investment** – The significant private and other non-Federal capital investment will ensure market discipline.

- **Investment grade rating requirement** – TIFIA requires each project's senior debt to receive an independent rating of investment grade from a major credit rating agency before credit assistance can be provided.

- **Credit assessment** – The DOT draws upon the expertise of nationally recognized credit rating agencies, bond insurers, and other financial experts in carefully evaluating the creditworthiness of project applicants and structuring appropriate security features to ensure repayment of credit assistance.

The language of the statute and the regulations (as well as the language in the TEA-21 Conference Report) clearly indicates that TIFIA should rely significantly and efficiently on "market discipline" to maximize the probability of repayment of credit assistance. Market discipline is enforced, in part, through the statute's requirement for a minority-share TIFIA contribution ($\leq$ 33%), designed to ensure that other investors and participants have a major stake in the success of the project and are bearing a large share of the risk. For example, the rating agencies, investors/bond insurers, and other participants closely examine feasibility studies, the sponsor's project management team, the design-build firm, and the funding of adequate reserves and contingencies. Therefore, the DOT, like state or local governments, can rely on the rigorous assessments of the credit market to supplement its own oversight efforts.

Like all other Federal credit assistance programs, the TIFIA program is governed by the Federal Credit Reform Act of 1990 (FCRA), which requires that the DOT establish a capital reserve, or "subsidy amount" to cover expected credit losses. Further, FCRA requires the DOT to monitor its credit instruments and update these capital reserve charges annually. In accordance with the FCRA, the DOT has developed a statistical methodology, designed to be predictive of defaults and other deviations from loan contracts. The DOT uses this model to estimate subsidy amounts and ensure sufficient budget authority is available to cover such costs before obligating direct loans and lines of credit and committing loan guarantees.

Default risk is a key component of DOT's assessment of expected credit losses. The DOT uses credit ratings from nationally recognized rating agencies as an important factor in assessing the default risk of a TIFIA project using the DOT's capital allocation model.

4. Framework for TIFIA Project Oversight and Credit Monitoring

The overarching goal for TIFIA project oversight and credit monitoring is to *protect the Federal interest by managing risks to project delivery and loan repayment*. This goal is aligned with the Department's existing oversight mechanisms and processes and the recommendations made by the DOT Task Force on Oversight of Large Transportation Infrastructure Projects.

The following key objectives support attainment of this goal:

- Measure success by a standard of *no surprises.*
- Take appropriate advantage of capital market resources and requirements.
- Identify and monitor construction issues that could delay the project schedule or increase cost.
- Identify and monitor credit issues that could affect loan repayment.
- Respond to construction or repayment issues with timely resolutions.

TIFIA project oversight and credit monitoring encompasses the entire life cycle of a project from execution of the credit agreement through the final repayment of the credit assistance.

Project oversight means monitoring of the project's progress during the design and construction phases to determine whether the project is on time, within budget and scope, complies with Federal requirements, and is consistent with approved plans.

Credit monitoring means ongoing surveillance of a project to assess compliance with the terms and conditions of the credit agreement, continuing credit quality, financial/operational performance, and the ability of the borrower to repay its obligations.

The TIFIA project oversight and credit monitoring process will rely to a significant extent on the existing procedures within the operating administrations as described in the following paragraphs.

For example, the FHWA Divisions enter into Stewardship Plans and project management agreements with State DOTs detailing oversight activities. Also, FHWA's Major Projects Team in the Office of Infrastructure serves as the headquarter's focal point for addressing administration and oversight of major

Federal-aid highway projects. Financial plans are required for all projects with an estimated total cost of $1 billion or more. FHWA has issued detailed guidance on the preparation of financial plans and annual updates. A merged process for the review of financial plans, which applies to all TIFIA funded projects regardless of the total cost of the project, has been implemented between the TIFIA JPO and the Major Projects Team.

Similarly, FTA oversees major capital projects through its Project Management Oversight (PMO) Program, which includes financial capacity assessments and reviews of project financing plans. The agency contracts with competitively selected engineering firms that serve as an extension of its technical staff. Oversight contractors review recipients' project management plans and monitor projects to determine if they are progressing on schedule, within budget, and are built according to approved plans/specifications. PMO contractors provide FTA with an early warning of issues and problems and prepare monthly reports containing updated technical information as well as notification of expected delays, increases, or shortfalls. Quarterly review meetings are held between recipients and FTA on all major capital projects.

As part of its oversight and monitoring process, the TIFIA JPO requires project sponsors to provide ongoing financial and project information through the life of the credit instrument. This reporting includes an annual update to the project's financial plan in accordance with the requirements specified in the credit agreement and operating administration requirements. Also, the project sponsor is required to give notice to the DOT of material events, including litigation, which could affect the credit quality of the project.

In addition, the project sponsor is required to provide, at its own expense, ongoing credit assessment reports relating to the project and debt obligations from a nationally recognized credit rating agency throughout the life of its TIFIA credit instrument. The project sponsor must also provide to the DOT any credit reports relating to the project obligations securing the TIFIA credit instrument as soon as they are available.

Each credit agreement between the DOT and a project sponsor specifies the types of ongoing documentation required by the DOT and the frequency of such information requests. To ensure that all projects are monitored in a comparable fashion, the DOT has standardized information reporting to the maximum extent possible. See Appendix A for the standard data to be collected. The credit agreement also authorizes the DOT to commence increased monitoring and reporting, as may be necessary. To the extent practicable, the DOT will ensure that such reporting requirements are both applicable (depending on the laws and regulations that may apply to a given project) and consistent across modes. Updated financial and credit information is used by the DOT to adjust, as necessary, its original credit subsidy cost estimates (see page 3) for individual projects.

5. Key Elements of the TIFIA Oversight and Monitoring Process

Following execution of the TIFIA credit agreement, the TIFIA JPO initiates the formal project oversight and credit monitoring process for a project. The process integrates existing operating administration procedures described briefly in Section 4 into a comprehensive framework that ensures effective and efficient oversight.

The TIFIA project oversight and credit monitoring process encompasses the following elements:

- Formal oversight team for each TIFIA Project requiring close coordination between the TIFIA JPO and DOT operating administrations in carrying out monitoring activities.
- Comprehensive monitoring and reporting requirements in each TIFIA credit agreement.
- DOT oversight procedures appropriate for the project.
- Development of a "tailored" oversight and monitoring plan for each project with the level of oversight related to the risk profile for the project.
- Annual review and acceptance of an updated financial plan.
- Regular project status reports.
- Annual credit surveillance report.
- Periodic status meetings with the project sponsor, site visits, and project inspections.
- Review of engineering reports and credit market surveillance reports.
- Review of project management and operating plans.

Key elements of the TIFIA project oversight and credit monitoring process are described in the following sections.

5.1 TIFIA Project Oversight Team

An effective project oversight and credit monitoring process requires a team approach. This enables the DOT to address both project and credit issues over the lifecycle of a TIFIA project and direct its resources where default risk is greatest.

Following execution of a TIFIA credit agreement, the TIFIA JPO, in coordination with the responsible DOT oversight administration, establishes an oversight team, which includes operating administration representatives. A TIFIA JPO staff member serves as team coordinator. The membership of the team varies, depending on whether the lead administration is FHWA, FRA, FTA, or MARAD and the project's complexity and risk profile. The DOT operating administrations have the responsibility to identify participants from their respective organizations. Outside experts may be engaged, as needed, to enhance monitoring.

Typically, the team composition, in addition to the TIFIA JPO representative, will be as follows:

> **FHWA projects**. The team will include, at a minimum, Division Office representative(s) and a Major Projects team member. Other Division/HQ staff and Resource Center specialists may be included as appropriate.
>
> **FTA projects**. The team will include, at a minimum, the FTA program manager in the Office of Budget and Policy, regional representatives, and the PMO contractor for the project. Task orders for PMOs will be revised, as needed, to include TIFIA monitoring requirements.
>
> **FRA and MARAD projects**. The team will include the appropriate program manager and may have an FHWA/FTA field office representative. It is anticipated that for complex projects an outside contractor will be engaged to assist in the monitoring process.

Exhibit 1 describes some of the responsibilities of these oversight teams.

Exhibit 1. TIFIA Project Oversight Team Responsibilities

- Develop the "tailored" project oversight and monitoring plan that will serve as a management tool for the project.
- Hold regular meetings during construction to review project progress and address issues.
- Participate in periodic site visits.
- Prepare project status reports for the TIFIA JPO.
- Review the annual financial plan updates in coordination with the responsible agency program office and field office.
- Prepare annual TIFIA credit surveillance report.
- Review other related project documents, such as independent engineer's reports (if applicable), credit reports, and status reports from the project sponsor.
- Monitor news media and/or public meetings.

Following substantial completion of a project, the focus of surveillance shifts to credit monitoring and the team composition may change. The TIFIA JPO retains primary responsibility for monitoring the credit with input from the responsible operating administration.

Open and continuous communication among all participants is an important factor in the effectiveness of the oversight and monitoring process.

5.2 TIFIA Project Oversight and Credit Monitoring Plan

The central element of the TIFIA Project Oversight and Credit Monitoring process is the Project Oversight and Credit Monitoring Plan, which serves as the management tool for each project. The Oversight Team is responsible for developing this plan immediately following the execution of the TIFIA credit agreement. The plan should be tailored to meet the specific oversight and monitoring requirements for the project, based on the project's risk profile and operating administration requirements.

In order to establish the appropriate level of oversight for a specific project, the risks must be analyzed. The identification of any changes to the credit risk posed to the Federal Government is an important part of the monitoring process. A project's risk profile may change, depending on the project's phase of development and operational status. Exhibit 2 highlights some potential risks that may affect a project's risk profile.

Exhibit 2. Potential Project Risks

Design/Construction Risks	Operations/Post Construction Risks
• Permitting problems • Design changes • Poor/incomplete design • Cost overruns • Cash flow deficiencies • Technology risk • Schedule delays • Litigation	• Revenue performance, particularly during ramp-up • Operational performance (including maintenance) • Changes in law • Cash flow deficiencies • Management changes • Changed economic and political conditions

In developing the TIFIA project oversight and credit monitoring plans, the Oversight Team will identify risks specific to the project and establish the appropriate measures to ensure effective monitoring to manage project risk. In assessing the risks, the team will consider, but not be limited to, rating agency/bond insurer reports, traffic and revenue studies and reports, independent engineer's project evaluation, project management plan, funding controls established by the project sponsor, and the adequacy of contingencies for schedule and budget. Each plan will be updated, as needed, to address any material changes in the project's credit status.

Since the TIFIA project life cycle has two distinct phases (design/construction and post construction/operations) with different potential risks, the types of monitoring activities that will be undertaken by the Oversight Team vary by phase as shown in Exhibit 3 below. The frequency or intervals for performing various monitoring and oversight activities is determined by the Oversight Team and reflected in the oversight and monitoring plan.

Exhibit 3. TIFIA Project Oversight and Credit Monitoring Activities

Design / Construction	Operations / Post Construction
• Verify compliance with terms and conditions of credit agreement • Review project management plan • Review/accept financial plan update • Review annual financial reports and audits • Monitor fund disbursements • Review status reports, such as independent engineers' reports • Evaluate credit reports • Monitor news media and public meetings	• Verify compliance with terms and conditions of credit agreement • Review/accept annual update to post-construction financial plan • Monitor revenue performance • Review operating plans for adequacy • Review updated traffic and revenue studies • Evaluate credit reports • Monitor news media and public meetings

The plan is intended to be concise, yet comprehensive in identifying activities to ensure effective oversight. The plan will incorporate existing DOT oversight procedures. Exhibit 4 summarizes the components of the TIFIA Project Oversight and Credit Monitoring Plan. A template for the plan is included as Appendix B.

Exhibit 4. TIFIA Project Oversight and Credit Monitoring Plan	
Project information	• Name of project, TIFIA project number, and brief description of project.
Contact information	• Oversight team members • Other DOT operating administration contacts • Project sponsor
Project characteristics and risk assessment	• A brief description of any unique project features/issues as well as identification of specific risks during the project's life cycle and measures that will be taken to address/mitigate risks
Oversight approach (design and construction phase)	• Construction oversight by FHWA Division Office, PMO or other oversight contractor • Summary of Stewardship agreements, project management agreements, or amendments to these documents, as appropriate. • Special requirements
Post construction monitoring	• Review of credit reports • Periodic meetings with rating agencies
Roles and responsibilities	• Clear delineation of responsibilities to establish lines of accountability (TIFIA JPO, operating administrations, etc.)
Checklists	• Required approvals for disbursements, change orders, etc. • All salient credit agreement compliance requirements (with specific responsibilities for enforcement noted)
Required reports and documents from project sponsor	• Due date for submission of Financial Plan update • Due dates and frequency of project status reporting • Independent engineer reports, updated traffic and revenue studies, as appropriate
Site visits / review meetings	• Participants and schedule
Other requirements	• Any other specific documents that may be required in the credit agreement will be identified
Attachments	• Related documents, such as the stewardship agreement and TIFIA compliance agreement

5.3 Review of Financial Plan

As part of its application for credit assistance, each prospective TIFIA project sponsor must submit a preliminary financial plan. The TIFIA JPO, financial advisor, and an operating agency representative jointly review this plan during the evaluation process. The plan content and form follow TIFIA program guidance and must be acceptable to the responsible DOT operating administration for purposes of design-build approval and compliance with other requirements.

The project sponsor is then required to submit an updated financial plan as a condition for closing the TIFIA credit agreement that is acceptable in form and substance and consistent with applicable DOT "Major Project" guidance. The TIFIA JPO and DOT operating administration jointly review this updated plan, which serves as the baseline for monitoring schedule and budget performance.

Updates to the financial plan are required to be submitted annually by the project sponsor, based on the due date established in the TIFIA credit agreement. The requirement for annual financial plan updates applies to all TIFIA projects regardless of size. Each TIFIA credit agreement specifies the contents of the annual financial plan updates, which will differ for construction and post-construction phases (see Appendix C).

The TIFIA JPO and the responsible operating administration jointly review plan updates. Acceptance of the plan follows existing DOT procedures. For example, during the construction phase of a TIFIA highway project, the FHWA Division Office has responsibility for the formal acceptance of the plan with the concurrence of the TIFIA JPO and the Major Projects Team. For the post-construction period through final maturity of the TIFIA credit instrument, the TIFIA JPO has primary responsibility for financial monitoring and acceptance of the annual financial plan update. The responsible DOT operating administration provides input on conditions affecting financial plan updates during the post-construction period. Outside experts may assist in financial monitoring, as needed.

5.4 Standard Monitoring Reports

While each TIFIA Project Oversight and Credit Monitoring Plan is tailored to reflect unique project characteristics and specific risk profile, there are two standard reports prepared by the Oversight Team that are an integral part of monitoring procedures: a Project Status Report and an Annual Credit Surveillance Report.

Project Status Report. This report is to be prepared quarterly for all TIFIA projects with executed credit agreements, based on a standard reporting format (see Appendix D for report template). This one page report includes cost and schedule status, trends, projections, disbursements to date, highlights of site visits, and any issues with corrective actions.

Annual Credit Surveillance Report. This report is to be prepared annually for all TIFIA projects with an executed credit agreement (see Appendix E for the sample format). The TIFIA JPO oversight team leader for the project is responsible for coordinating preparation of this report, which will be provided to the DOT Credit Council. The report is comprehensive in nature and includes financial information, project information, operating performance, debt-related statistics, and overall compliance with the terms of the credit agreement. Due within 60 days of the acceptance of the borrower's updated financial plan, the annual surveillance report relies to a large extent on information provided in the annual financial plan update.

These reports will enhance the overall monitoring process since they provide:

An early warning signal of potential credit problems. The information derived from these reports will serve as an early warning signal related to both construction and revenue risks. Preventative or corrective measures then can be taken before a project falls into the category of a "troubled " credit.

A basis for potential loan restructuring. Research performed as part of the monitoring process will provide information on the project's financial condition that will be relevant to potential adjustments in credit terms, if the project is experiencing financial difficulty.

A basis for reassessing credit risk and recalculating estimated subsidy amounts. The FCRA requires an annual review of credit risk and determination of whether the subsidy cost estimates should be adjusted based on the latest available information. The updated information gathered for these reports will be analyzed to calculate the appropriate subsidy amount.

Information source for other entities. The report will ensure that the DOT is positioned to answer Congressional and other requests for information on the TIFIA program in a timely and accurate fashion.

As part of the monitoring process, periodic project status meetings and site visits as well as information obtained from credit agencies will supplement these two reports.

Further, to assist in the annual review of the project, a questionnaire has been developed to guide development of this report (see Appendix F). The questionnaire combines both financial and non-financial measures to assess compliance with legal obligations and the borrower's credit status and ability to repay obligations. A negative response to any of the given questions requires immediate clarification, investigation, or action by the DOT.

If the annual surveillance review is unfavorable, then the TIFIA Oversight Team will evaluate options for addressing the issues and will develop a corrective action plan, including the initiation of increased monitoring procedures. The team will monitor progress of the corrective action plan to bring the project into compliance and improve financial performance.

In order to ensure the consistency, completeness, and comparability of all information collected over time, the oversight team will prepare the annual surveillance report using a similar format. A successful monitoring strategy relies on experience as well as qualitative and quantitative analysis. In general, the oversight team should present quantitative information in the annual surveillance report that supports the circumstances or events that underlie and explain the data.

6. Roles and Responsibilities

Under its delegation of authority, the TIFIA JPO, in coordination with the oversight operating administration, is responsible for monitoring TIFIA-assisted projects for compliance with credit agreement terms and conditions and for changes in risk that may affect subsidy costs.

While the TIFIA JPO has significant delegated responsibility for project oversight, credit monitoring, and financial management of the TIFIA program, these functions can only be accomplished as a joint effort with the DOT operating administrations, including both field and headquarters program offices. In conducting joint oversight, the TIFIA JPO has the lead in administering the TIFIA credit agreement and the monitoring of credit risk from the date the agreement is executed until credit assistance is fully repaid. The operating administration has the lead in managing project delivery risks following existing construction oversight procedures. In carrying out their respective responsibilities, the TIFIA JPO and the DOT operating administration will ensure full communication of issues and will concur prior to taking any Federal action on a project.

Exhibit 5 highlights key roles and responsibilities. More specific roles and responsibilities will be further defined in the monitoring plan developed for each TIFIA project.

Exhibit 5. TIFIA Oversight and Monitoring: Roles and Responsibilities	
TIFIA JPO *Lead in managing project credit risk*	• Manage TIFIA funds (obligation and disbursement of funds) • Coordinate and facilitate oversight activities • Evaluate financial plans in coordination with the responsible operating administration • Perform subsidy re-estimates as required under FCRA • Monitor compliance with terms and conditions of credit agreements in coordination with operating administrations • Review operating and maintenance plans • Monitor financial performance through a project's life cycle • Engage outside experts, as needed, to enhance monitoring
DOT OperatingAdministrations *Lead in managing project delivery risks*	• Participate in oversight teams • Make construction-related approvals as appropriate (design-build, change orders, final acceptance) • Monitor compliance with "standard" Federal requirements (e.g., Buy America) • Modify stewardship agreements to reflect TIFIA oversight, if appropriate • Perform design and construction oversight (consistent with established practices) • Review and accept financial plans (jointly with TIFIA JPO and Major Projects team) • Accept completed projects (consistent with established practices)

7. Communications

The TIFIA project oversight and credit monitoring process is a cooperative and systematic effort between the TIFIA JPO and the DOT operating administrations intended to proactively manage construction and credit risk. Open and timely communication among all participants is critical to the effectiveness of the monitoring process. Existing agency communication channels are to be followed to ensure that DOT management is informed of issues at an early stage so that preventative measures can be taken before a project falls into the category of "troubled" credits. Through the team approach, the DOT will be able to cost effectively direct resources and enhance the communication of information on the status of TIFIA projects.

8. Other Related TIFIA Functions

As part of the administration of the TIFIA program, there are two other significant ongoing functions that are carried out in conjunction with the monitoring process as discussed below.

Disbursement of TIFIA Loan Proceeds

Typically, TIFIA funds are not disbursed upon execution of the credit agreement, but are disbursed during the construction period to meet cash flow requirements. Funds are disbursed only to (1) reimburse the borrower for eligible costs previously incurred and paid for, or (2) allow the borrower to pay for eligible costs currently incurred and owed which the borrower will pay upon receipt of TIFIA funds. Disbursements are tracked through the TIFIA Loan Servicing System.

The DOT and the borrower negotiate a disbursement schedule incorporated into the credit agreement, based on the project's cash flow needs. The schedule establishes annual and cumulative limitations on loan disbursements that may be modified annually based on project circumstances. The borrower must request the disbursement no later than the first day of the month or the next business day following. Funds generally are disbursed to each borrower by the 15th day of the month or the next business day following. For highway projects, it is important to note that TIFIA funds are not processed through FHWA's Fiscal Management Information System (FMIS) as is the case with regular Federal-aid fund transactions. The borrower submits a requisition form to the TIFIA JPO with a copy to the responsible operating administration (i.e. FHWA Division Office, FTA Regional Office and Office of Budget and Policy). Following TIFIA JPO review and operating agency concurrence, the Director of the FHWA Office of Budget and Finance approves the disbursement request and the FHWA Finance Division disburses the funds. On the requisition form, the borrower certifies that the amounts requisitioned are for eligible costs incurred, that the 33% limit will not be exceeded, and that no event of default exists.

Loan Servicing

Effective and efficient management of TIFIA credit activities also involves loan servicing. Mechanisms must be in place to collect and record repayments of TIFIA credit assistance and provide accounting and management information for effective stewardship.

The automated TIFIA Loan Servicing System, implemented by the DOT, has extensive capabilities that support ongoing servicing of TIFIA credit instruments and meet internal management information reporting requirements as well as other Federal agency requirements. The loan servicing system was designed in accordance with Federal credit accounting standards as set forth in statute in the Privacy Act of 1974, Debt Collection Act of 1982, the Debt Collection and Improvement Act of 1996, the Federal Credit Reform Act of 1990, and the Chief Financial Officer's Act of 1990 as well as formal guidance provided in OMB Circular's A-123, A-127, A-129, and A-134 and Treasury's Financial Management Services publications, "Managing Federal Receivables" and "Guide to the Federal Credit Bureau Program." Additionally, the system conforms to applicable system-specific requirements established by the Joint Financial Management Improvement Program (JFMIP).

The TIFIA Loan Servicing System includes comprehensive data on each TIFIA credit agreement, including identification number, budget obligation records, all loan terms, borrower information, project description and location, relevant debt ratings, disbursement schedule, actual disbursements, repayment schedule, payments received, outstanding balances of principal and interest, and delinquency data.

This system supports the management and performance evaluation of the TIFIA credit portfolio and provides essential information to assist in the monitoring of TIFIA projects. The system operates entirely in Microsoft Access to ensure maximum portability to a wide range of users. Updated financial information on TIFIA projects is available on a monthly basis for the responsible operating administration and oversight teams. Ad hoc reports can also be generated to meet information needs.

Appendix A Standard Reporting Requirements for TIFIA Borrower

1. Annual Submission of Updated Financial Plan

2. Annual Report

3. Annual Audited Financial Statements, together with independent CPA report

4. All reports or other written material sent to any credit rating agency

5. Copy of any Official Statement or other offering document and cash flow projections prepared in connection with the issuance of any project bonds

6. Copies of continuing disclosure documents filed in connection with Rule 15c2-12 of the Securities and Exchange Commission.

7. Annual certificate of compliance with rate covenants

8. Notices of events of default, litigation, and other adverse events within 5 business days of learning of the occurrence

Appendix B Sample of Project Oversight and Credit Monitoring Template

TIFIA Project Oversight And Monitoring Plan

Project Information

Project Name:

Project Number:

Project Sponsor:

Project Developer:

Borrower:

Location:

Executed Credit Agreement Date:

Final Maturity Date:

Description and Objectives: .

Contact Information

Name	Title	DOT Agency/ Organization	Tel.	Fax.	Email

Project Characteristics and Risk Assessment

Oversight Approach During Construction

Post-Construction Monitoring

Roles and Responsibilities

Operating Administration Lead FHWA ☒ FTA ☐ FRA ☐

Project Delivery

Financial Plan Oversight

TIFIA Credit Monitoring Oversight

Checklist for DOT Actions

Item	Due Date	Responsible Party	Comments
Loan Repayment Dates		Riggs Bank	
Servicing Fee		Riggs Bank	
Annual Credit Surveillance Report		TJPO/Oversight Team	
Quarterly Project Status Report		TJPO/Oversight Team	

Required Reports and Documents from Project Sponsor

Report Name	Due Date	Comments
Project Financial Plan Update		
Annual Report		
Annual Audited Financial Statements		
Semi-Annual Progress Report		
Updated Rating Agency Letters or other Credit Reports		

Site Visits/Review Meetings

Other Requirements

Attachments

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Appendix C Sample Financial Plan Requirements in TIFIA Credit Agreement Template

The Borrower shall provide to the Lender, on or prior to ___________ [the Effective Date] and annually thereafter not later than ninety (90) days after the beginning of the Borrower's fiscal year, an updated Plan of Finance based on the initial Plan of Finance presented by the Borrower in its application dated _________. Each annual update of the Plan of Finance shall be prepared in accordance with recognized financial reporting standards, such as those in the "Guide for Prospective Financial Information" of the American Institute of Certified Public Accountants, and shall be in form satisfactory to the Lender.

At a minimum, each annual update of the Plan of Finance shall for the period through Substantial Completion: (1) provide the current estimate of the total cost of the Project and the remaining cost to complete the Project, identify any significant cost changes since the previous Plan of Finance, discuss reasons for and implications of the cost changes, and include a summary table showing the history of Project Costs by major activity or category since the initial Plan of Finance and the preceding Plan of Finance; (2) provide the current schedule and implementation plan for completing the Project, identify major milestones for each phase of the Project and compare current milestone dates with milestone dates in the initial Plan of Finance and the preceding Plan of Finance, and discuss reasons for changes in Project milestones; (3) provide current estimates of sources and uses of funds for the Project, identify any significant funding changes since the preceding Plan of Finance, discuss reasons for and implications of the funding changes, and include a summary table showing the history of Project funding since the initial Plan of Finance and the preceding Plan of Finance; (4) provide an updated cash flow schedule showing annual cash needs versus available revenue and funding to meet those needs (including projected debt service coverage ratios for Senior Lien Bonds, Junior Lien Bonds and the Secured Loan) through the Final Maturity Date, identify any potential revenue and funding shortfalls, and discuss contingency measures that will or may be taken to address any shortfalls; (5) provide cost containment strategies and risk mitigation plans that have been or may be implemented to address factors that are affecting or could affect the scheduled completion or financial viability of the Project; (6) provide the total value of approved changes in project design or scope, and provide a listing of each individual change valued at $5,000,000 or more, setting forth the rationale or need for the proposed change and describing the impact of such change on the Project; and (7) contain, in form and substance satisfactory to the Lender, a written narrative report on the progress of design, permitting, acquisition and construction of the Project since the initial Plan of Finance and the preceding Plan of Finance describing in reasonable detail all significant activities concerning Project status including any material matters that may affect the future performance of the Borrower's obligations under this Agreement and the causes thereof.

Not later than ninety (90) days following the date of Substantial Completion, the Borrower shall provide the Lender with a final written narrative report in substantially the form described in subsection (6) of the preceding paragraph.

At a minimum, each annual update of the Plan of Finance shall for the period following Substantial Completion until repayment of the Secured Loan in full: (1) provide an updated cash flow schedule showing annual cash inflows (Pledged Revenues, Supplemental Payments, interest and other income) and outflows (operating costs, capital costs, debt service, Secured Loan repayments, replenishment of reserves and other uses) with a narrative identifying any potential revenue or funding shortfall and discussing contingency measures that will or may be taken to address any shortfalls; (2) provide current and estimated amounts of revenues received and the amounts deposited into each fund and account held under the Borrower Bond Resolution and the amount disbursed from such funds and accounts and the balance in each of the funds and accounts; (3) provide an updated schedule of actual and projected Pledged Revenues, showing actual and projected debt service coverage ratios for the Secured Loan, the Senior Lien Bonds and the Junior Lien Bonds; and (4) include a written narrative report explaining any variances in costs or revenues since the initial Plan of Finance and the preceding Plan of Finance and describing in reasonable detail any material matters that may affect the future performance of the Borrower's obligations under this Agreement and the causes thereof, to include, but not limited to, traffic and revenue reports, operational contracts, and third-party transactions.

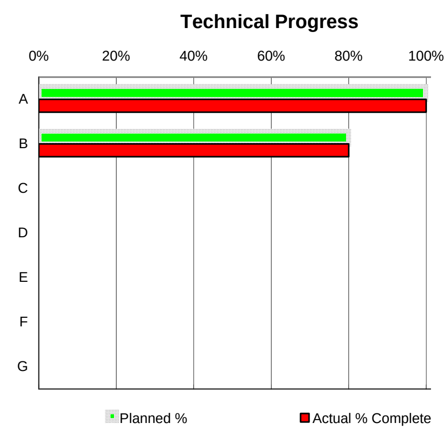
For the period through Substantial Completion, the Borrower shall provide the Lender with written notification, before instituting any increase or decrease of the overall Project Costs in an amount equal to or greater than [the lesser of $10,000,000 or 1% of such overall Project Costs], setting forth the nature of the proposed increase or decrease and estimating the impact of such increase or decrease on the capital costs, operating costs, and the Plan of Finance. The Borrower's notice shall demonstrate that the proposed increase or decrease is consistent with the provisions of this Agreement, is necessary or beneficial to the Project and does not affect the Lender's security.

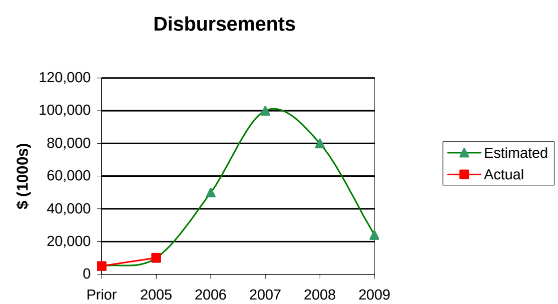
APPENDIX D TIFIA SAMPLE PROJECT MONITORING REPORT

	Loan Terms	Loan Disburesments
TIFIA No.:		
Project Sponsor:	**Execution:**	**Loan Amount:**
TIFIA Manager:	**Maturity:**	**Disbursements:**
Contact:	**Due Date of**	**Remaining:**
Borrower:	**First Repayment:**	**% Disbursed:**

Project Description:

Significant Accomplishments This Report:





$1000s	Prior	2005	2006	2007	2008	2009
Estimated	5,000	10,000	50,000	100,000	80,000	24,076
Actual	5,000	10,000				

	Milestones and Deliverables:	Start	Planned Completion	Revised Completion		Actual Completion	Planned %	Actual % Complete
A	Land Acquistion & Remediation	9-Jun-00	30-Sep-01			11-Jun-02	100%	100%
B	Engineering & Design	30-Jun-03	14-Mar-04	30-Jan-05			80%	80%
C	Construction	1-Jun-04	1-Jun-06					
D								
E								
F								
G								

Technical/Cost/Schedule Problems:

Meetings:

Appendix E Standard Format for Annual TIFIA Credit Surveillance Report

1. **Executive Summary**
   Brief summary containing information of relevance to upper management
   Major issues impacting project's schedule, budget, and credit quality
   Status of TIFIA credit assistance and overall credit assessment
   Changes since prior surveillance report

2. **Project Overview**
   Description of the Project
   Summary of Project Funding Sources

3. **Status of the Project**
   Total project costs and expenditures to date
   Project schedule to date
   Schedule performance
   Relevant trends

4. **Financial Condition and Credit Assessment**
   Capital Plan Update –Variance between original budget and current budget
   Cash Flow Projections –Variance between original and current projections
   Debt Ratios (coverage, outstanding debt, etc.)
   Major Issues/Problems
   Credit Assessment

5. **Other Relevant Information**
   Management Update (e.g. staffing changes)
   Litigation Update
   Other

6. **Compliance with Terms of the Credit Agreement**

7. **Corrective Action Plan (if applicable)**

8. **Summary of Upcoming Milestones and Subsequent Events**

Attachments

Annual Surveillance Questionnaire
Related Project Documents
Credit Reports

Appendix F Annual TIFIA Project Surveillance Questionnaire

BORROWER: ______________________________	**REVIEW DATE:** __________
PROJECT NUMBER: _______________________	**REVIEWED BY:** ___________

This questionnaire is part of the TIFIA project oversight and credit monitoring procedures and the results will be included in the TIFIA Annual Surveillance Report. Unfavorable responses require clarification and discussion in the Notes section.

FINANCIAL CONDITION	YES	NO	N/A	Reference #
1. Was the Financial Plan Update accepted?	___	___	____	__________
2. Were there conditions or major issues identified?	___	___	____	__________
3. Within the preceding 12-month period have there been any material changes in the overall budget, total project costs, or cash flow projections?	___	___	____	__________
4. Are any revenue shortfalls anticipated?	___	___	____	__________
5. Was the audit conducted in accordance with applicable auditing standards?	___	___	____	__________
6. Does the report contain any unqualified opinions on the financial statements?	___	___	____	__________
7. Is the Management Report prepared by the auditors free of instances of non-compliance or material weaknesses?	___	___	____	__________
8. Has there been any change in project's credit rating(s)?	___	___	____	__________
9. Were the prior year budget forecasts accurate?	___	___	____	__________
10. Does the approved project budget estimate sufficient net revenues available to satisfy rate covenants and/or coverage requirements?	___	___	____	__________
11. If a debt service reserve is required, did USDOT receive an account statement verifying the adequacy of the reserve balance?	___	___	____	__________
12. Within the last 12 months has there been any failure to make required reserve account deposits?	___	___	____	__________

CONSTRUCTION PHASE	YES	NO	N/A	Reference #
13. Are construction cash flows tracking estimates?	___	___	___	________
14. Are all project elements proceeding on time?	___	___	___	________
15. Have there been any major changes or amendments in the project?	___	___	___	________
16. Have all contracts been bid and awarded?	___	___	___	________
17. Are permits proceeding on schedule?	___	___	___	________
18. Are land acquisitions proceeding on schedule?	___	___	___	________
19. Have any unforeseen environmental issues arisen?	___	___	___	________
20. Are there any factors that will cause a delay in the schedule?	___	___	___	________
OPERATIONS PHASE				
21. Has the project been performing as expected in the operations plan?	___	___	___	________
22. Has there been any change in the project participants or in the financial condition of the project participants?	___	___	___	________
23. Has any major project document been amended, modified, terminated or extended?	___	___	___	________
24. Is there any known event or issue, which could negatively affect the project in the future?	___	___	___	________
COVENANT COMPLIANCE				
25. Has the Annual Report been received?	___	___	___	________
26. Has the Annual Audit been received from the outside auditor?	___	___	___	________
27. Has a Certificate of Rate Covenant Compliance been received from the outside consultant?	___	___	___	________

	YES	NO	N/A	Reference #
28. Did the borrower remit principal and/or interest payments to USDOT as scheduled?	___	___	____	_________
29. Has the borrower fully complied with disbursement requirements?	___	___	____	_________
OTHER				
30. In the course of the ongoing monitoring of this project, are you aware of any events with potentially negative impact to the borrower's ability to service debt or overall financial health, including, but not limited to: • Significant management turnover • Adverse publicity regarding the project • Change in third-party funding commitments • Downgrade to any of borrower's credit ratings by agencies , such as Standard & Poor's, Fitch IBCA, or Moody's • Significant decline in economic demographics • Citations of non-compliance by any regulatory agency • Other ________________________________	___	___	____	_________

NOTES: Discuss the impact and planned action/resolution of any adverse response.

Reference # **Comments**